

## IMEF's PMI surveys – The devil is in the details

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- **IMEF Manufacturing PMI (October, sa): 50.7pts. Banorte-Ixe: 52.1 points; consensus: 51.2pts. (range of estimates: 51.2 to 52.2); previous: 51.2**
- **IMEF Non-manufacturing PMI (October, sa): 51.4; Banorte-Ixe: 51.2; consensus: 51.0pts. (range of estimates: 50.6 to 51.7); previous: 51.7**
- **The 0.5 points contraction in the manufacturing index was explained by a fall in production and deliveries components...**
- **...however, the weighted sum of the individual components within the manufacturing series shows a 0.1 points gain in October**
- **In addition, the new orders to inventories ratio continues above the 1 point threshold**
- **We believe that the recent trend of the new orders and inventories sub-indices suggests that the manufacturing sector could show a marginal recovery in 4Q16**

**IMEF's manufacturing PMI posted a 0.5 points decrease.** The *IMEF* just published its PMI surveys results for October, where the manufacturing indicator stood at 50.7 points, below our 52.1 forecast. Today's figure implies a 0.5 points decrease from the level observed in September. However, we highlight that the weighted sum of the individual components within the manufacturing series shows a 0.1 points gain in October. Doing this calculation, September's index stood at 50.8 points, while October's index stood at 50.9 points.

Taking a look at the breakdown, we highlight that the contraction in the production, deliveries, and inventories indices (-0.4, -0.4, and -0.6 points, respectively; refer to the following table).

### Manufacturing PMI index

Seasonal adjusted figures

	Oct-16	Sep-16	Difference
<b>Manufacturing</b>	<b>50.7</b>	<b>51.2</b>	<b>-0.5</b>
New orders	52.1	51.5	0.6
Production	49.5	49.9	-0.4
Employment	51.7	50.4	1.3
Deliveries	53.6	54.0	-0.4
Inventories	47.5	48.1	-0.6

Source: IMEF

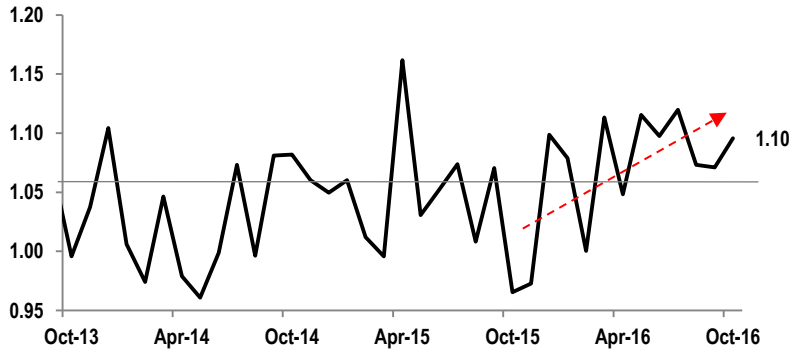
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**The new orders to inventories ratio continues above the 1 point threshold.**

The new orders to inventories ratio, a leading indicator of Mexico’s manufacturing output, has remained above the 1 point threshold, registering a level of 1.1 points in October. This implies that Mexico’s manufacturing output will probably show a better performance during the fourth quarter.

**New orders to inventories ratio**

Seasonal adjusted figures



Source: Banorte-ixe

**The non-manufacturing index stood at 51.4 points (seasonally adjusted figures).** This number implies a 0.3 point monthly reduction. However, the weighted sum of the sub-indices within the non-manufacturing series shows that the headline index actually rose 0.6 points.

Taking a look at the breakdown, three of the four sub-indices declined. However, the production sub-index posted a 2.9 points expansion, as shown in the table below.

**Non-manufacturing PMI index**

	Oct-16	Sep-16	Difference
<b>Non-manufacturing</b>	<b>51.4</b>	<b>51.7</b>	<b>-0.3</b>
New orders	52.6	53.1	-0.4
Production	54.2	53.1	2.9
Employment	50.6	49.7	-1.0
Deliveries	50.8	51.7	-0.9

Source: IMEF

**We expect a marginal recovery in manufacturing output.** We believe that the recent trend of the new orders and inventories sub-indices suggests that the manufacturing sector could show a marginal recovery in the fourth quarter of the year.

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